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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

State Dept. review completed

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No 42  
2 September 1971

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No. 0210/71  
2 September 1971

# *Central Intelligence Bulletin*

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SOUTH VIETNAM: The government weathered last Sunday's Lower House elections fairly well, but still faces some rough political sledding against opposition elements.

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[REDACTED]

It seems likely that, as in the past, Thieu will be able to muster enough support in the House to secure passage of all but the most controversial of his legislative requests. Because only a minority of the incumbents won re-election and the political affiliation of about a fifth of the new deputies is unclear, the actual political line-up will not be certain until after the House reconvenes in the fall.

The political opposition in the Lower House, based on a nucleus of about 25 deputies associated with the An Quang Buddhists, may be somewhat larger and more cohesive than in the past. Some of the militant Buddhists charge, however, that Big Minh's withdrawal from the presidential race discredited the entire election process and justifies demonstrations and other extralegal antigovernment activities. Thus, the Lower House results may not dampen pressures on the Buddhist leadership to work outside the system.

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INTERNATIONAL ECONOMIC DEVELOPMENTS: The slowly appreciating yen closed about six percent above the old yen-dollar parity in relatively stable trading yesterday. Japanese financial authorities have imposed stringent new controls on the foreign exchange operations of commercial banks to limit fluctuation in the foreign exchange market. The regulations restrict the ability of Japanese traders to hedge against losses on their dollar export contracts and prevent Japanese commercial banks from selling dollars short in anticipation of further appreciation of the yen.

Moscow is maintaining the ruble-dollar rate, making it necessary to take account of the changing rates of exchange between the dollar and other foreign currencies. This adjustment of the ruble against other major hard currencies announced yesterday will not affect either the international monetary situation or Soviet foreign trade. The ruble, a nonconvertible currency, is essentially a bookkeeping device. As such, the devaluation will serve only to translate correctly into rubles the value of Soviet trade conducted in hard currencies.

The deputy finance ministers from five EC countries and the US, UK, Canada, Japan, and Sweden will convene tomorrow to discuss multilateral currency realignment prior to the planned meeting of the Group of Ten's finance ministers in London in mid-September. The EC Monetary Committee will meet in Brussels today to prepare for the deputies' meeting, but, with bilateral talks between West Germany and France producing no change in their positions, it is unlikely that much progress will be made toward developing a common position in the upcoming talks.

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INDIA: Monsoon flooding is exacerbating conditions in some East Pakistani refugee camps.

The most critical problem is supplying food to camps in northern West Bengal and Tripura, where surface transport has become almost impossible. Planes are now moving some food to northern West Bengal, but the UN's World Food Program is calling for New Delhi to undertake a massive food airlift. Administrative and sanitation problems are also troubling the relief effort for the refugees, who now total over eight million.

Meanwhile, pledges of aid for the refugees continue to mount. As of 26 August such aid totaled over \$170 million, about 60 percent of which has been extended through the UN. Deliveries of aid, however, are slow in arriving in India. [redacted]

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CEYLON: Strains among the three disparate parties in Prime Minister Bandaranaike's coalition government are beginning to show more clearly and publicly.

Although Mrs. Bandaranaike's Sri Lanka Freedom Party (SLFP) would still have a majority in parliament if the coalition breaks up, her government would be badly shaken. The most immediate threat of a split comes from the Ceylon Communist Party/Moscow (CCP/M), which has long had basic differences with the SLFP. [redacted]

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[redacted]  
[redacted]

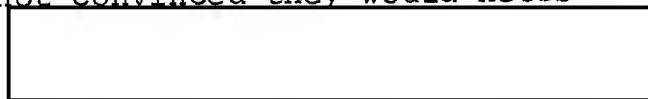
The second largest party in the coalition, the Trotskyite Lanka Sama Samaja Party is engaged in polemics with one faction of the CCP/M, and has also criticized SLFP officials for being too friendly to West Pakistan. On domestic issues, the Trotskyite party's leaders have run into mounting difficulties trying to justify their continued participation in the government to the rank and file, which is dissatisfied with the prime minister's failure to pursue a vigorous nationalization program. Mrs. Bandaranaike also has to cope with a wide variety of differences within her own party which--like the other two coalition parties--is polarizing along moderate and radical lines.

Even if all of these problems can be papered over, the government still faces the threat of a renewal of the radical insurgency that broke out last April. The majority of the insurgents were rounded up but an unknown number--probably in the hundreds--managed to escape. They operate freely, mainly at night, in several interior districts and, if they could coordinate their activities, they could at least stage an impressive hit-and-run attack. The government fears a renewed upsurge in

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insurgent activity and the latest rumor--unsubstantiated--is that a "second phase" is to begin on 19 September. Many of Mrs. Bandaranaike's important leftist supporters fear that their radical credentials were damaged by their failure to back the young revolutionaries last spring, and the US Embassy in Colombo is not convinced they would necessarily stand by her.



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UN-PEACEKEEPING: Measures to prepare better the UN for undertaking peacekeeping missions may be considered by the General Assembly this fall despite the continuing US-Soviet impasse over basic guidelines for such operations.

After hearing a US report earlier this week that the Soviets remain insistent that the Security Council retain control over virtually all aspects of UN peacekeeping activity, a group of Western UN members discussed the possibility of progress on interim steps until the impasse is broken. The most promising appears to be the creation of a roster of troops and facilities that the members would be prepared to make available for peacekeeping purposes.

Although the Soviets appear to favor the roster concept, they have so far insisted on complete agreement on total peacekeeping arrangements. In July, the Soviet mission asked the US to respond formally to its intransigent paper on peacekeeping, hinting that delay might alter the negotiating situation--a thinly veiled reference to Peking's prospects for UN entry. Now a new Soviet demand for a written reply indicates the mission desires to use it to see whether the US can be budged. [redacted]

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PAKISTAN: By appointing A. M. Malik, a Bengali civilian, as governor of East Pakistan, President Yahya apparently hopes both to improve the prospects for Bengali cooperation with the government and to lessen foreign criticism of his East Pakistan policy. The outgoing governor and martial law administrator, Lieutenant General Tikka Khan, is a West Pakistani who has been the focus of many charges of army brutality. Yahya, however, will continue in control, and has appointed the army commander in the east as the new martial law administrator--a post parallel to the governor.

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VENEZUELA: Renewed negotiations with the Andean regional economic group to determine the terms on which Venezuela might join apparently are making progress. The five members--Bolivia, Chile, Colombia, Ecuador, and Peru--are now willing to offer more substantial concessions. One would allow Venezuela to defer tariff reductions on imports from the group's members while they in turn would lower their tariffs on Venezuelan products. Even with concessions, however, Caracas still will have to overcome strong opposition from influential industrial interests which pressed the government to decline membership when the group was created in 1969.

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Approved For Release 2006/11/09 : CIA-RDP79T00975A019900060001-4  
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